

§ 1.1362-0 Table of contents.

This section lists the captions that appear in the regulations under section 1362.

§ 1.1362-1 Election to be an S corporation.

- (a) In general.
- (b) Years for which election is effective.

§ 1.1362-2 Termination of election.

- (a) Termination by revocation.
 - (1) In general.
 - (2) When effective.
- (i) In general.
- (ii) Revocations specifying a prospective revocation date.
 - (3) Effect on taxable year of corporation.
 - (4) Rescission of a revocation.
- (b) Termination by reason of corporation ceasing to be a small business corporation.
 - (1) In general.
 - (2) When effective.
 - (3) Effect on taxable year of corporation.
- (c) Termination by reason of excess passive investment income.
 - (1) In general.
 - (2) When effective.
 - (3) Subchapter C earnings and profits.
 - (4) Gross receipts.
- (i) In general.
- (ii) Special rules for sales of capital assets, stock and securities.
 - (A) Sales of capital assets.
 - (B) Sales of stock or securities.
 - (1) In general.
 - (2) Treatment of certain liquidations.
 - (3) Definition of stock or securities.
 - (4) General partner interests.
- (i) In general.
- (ii) Exception.
- (iii) Other exclusions from gross receipts.
- (5) Passive investment income.
 - (i) In general.
 - (ii) Definitions.
- (A) Royalties.
 - (1) In general.
 - (2) Royalties derived in the ordinary course of a trade or business.
- (3) Copyright, mineral, oil and gas, and active business computer software royalties.
 - (B) Rents.
 - (1) In general.
 - (2) Rents derived in the active trade or business of renting property.
 - (3) Produced film rents.
 - (4) Income from leasing self-produced tangible property.
- (C) Dividends.
- (D) Interest.
 - (1) In general.
 - (2) Interest on obligations acquired in the ordinary course of a trade or business.
- (E) Annuities.
- (F) Gross receipts from the sale of stock or securities.

- (G) Identified income.
- (iii) Special rules.
- (A) Options or commodities dealers.
- (B) Treatment of certain lending, financing and other businesses.
 - (1) In general.
 - (2) Directly derived.
- (C) Payment to a patron of a cooperative.
- (6) Examples.

§ 1.1362-3 Treatment of S termination year.

- (a) In general.
- (b) Allocations other than pro rata.
 - (1) Elections under section 1362(e)(3).
 - (2) Purchase of stock treated as an asset purchase.
 - (3) 50 percent change in ownership during S termination year.
- (c) Special rules.
 - (1) S corporation that is a partner in a partnership.
 - (2) Tax for the C short year.
 - (3) Each short year treated as taxable year.
 - (4) Year for carryover purposes.
 - (5) Due date for S short year return.
 - (6) Year in which income from S short year is includible.
- (d) Examples.

*§ Inadvertent terminations.**§ 1.1362-4 Inadvertent terminations and inadvertently invalid elections.*

- (a) In general.
- (b) Inadvertent termination.
- (c) Corporation's request for determination of an inadvertent termination.
- (d) Adjustments.
- (e) Corporation and shareholder consents.
- (f) Status of corporation.
- (g) Effective/applicability date.

§ 1.1362-5 Election after termination.

- (a) In general.
- (b) Successor corporation.
- (c) Automatic consent after certain terminations.

§ 1.1362-6 Elections and consents.

- (a) Time and manner of making elections.
 - (1) In general.
 - (2) Election to be an S corporation.
 - (i) Manner of making election.
 - (ii) Time of making election.
- (A) In general.
- (B) Elections made during the first 2½ months treated as made for the following taxable year.
- (C) Definition of month and beginning of the taxable year.
 - (iii) Examples.
- (3) Revocation of S election.
 - (i) Manner of revoking election.
 - (ii) Time of revoking election.
 - (iii) Examples.
 - (4) Rescission of a revocation.

§ 1.1362-1

- (i) Manner of rescinding a revocation.
- (ii) Time of rescinding a revocation.
- (5) Election not to apply pro rata allocation.
- (b) Shareholders' consents.
 - (1) Manner of consents in general.
 - (2) Persons required to consent.
 - (i) Community interest in stock.
 - (ii) Minor.
 - (iii) Estate.
 - (iv) Trust.
- (3) Special rules for consent of shareholder to election to be an S corporation.
 - (i) In general.
 - (ii) Examples.
 - (iii) Extension of time for filing consents to an election.
 - (A) In general.
 - (B) Required consents.

§ 1.1362-7 Effective date.

- (a) In general.
- (b) Special effective date for passive investment income provisions.

§ 1.1362-8 Dividends received from affiliated subsidiaries.

- (a) In general.
- (b) Determination of active or passive earnings and profits.
 - (1) In general.
 - (2) Lower tier subsidiaries.
 - (3) De minimis exception.
 - (4) Special rules for earnings and profits accumulated by a C corporation prior to 80 percent acquisition.
 - (5) Gross receipts safe harbor.
- (c) Allocating distributions to active or passive earnings and profits.
 - (1) Distributions from current earnings and profits.
 - (2) Distributions from accumulated earnings and profits.
 - (3) Adjustments to active earnings and profits.
 - (4) Special rules for consolidated groups.
 - (d) Examples.
 - (e) Effective date.

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§ 1.1362-1 Election to be an S corporation.

(a) *In general.* Except as provided in § 1.1362-5, a small business corporation as defined in section 1361 may elect to be an S corporation under section 1362(a). An election may be made only with the consent of all of the shareholders of the corporation at the time of the election. See § 1.1362-6(a) for

26 CFR Ch. I (4-1-09 Edition)

rules concerning the time and manner of making this election.

(b) *Years for which election is effective.* An election under section 1362(a) is effective for the entire taxable year of the corporation for which it is made and for all succeeding taxable years of the corporation, until the election is terminated.

[T.D. 8449, 57 FR 55449, Nov. 25, 1992]

§ 1.1362-2 Termination of election.

(a) *Termination by revocation*—(1) *In general.* An election made under section 1362(a) is terminated if the corporation revokes the election for any taxable year of the corporation for which the election is effective, including the first taxable year. A revocation may be made only with the consent of shareholders who, at the time the revocation is made, hold more than one-half of the number of issued and outstanding shares of stock (including non-voting stock) of the corporation. See § 1.1362-6(a) for rules concerning the time and manner of revoking an election made under section 1362(a).

(2) *When effective*—(i) *In general.* Except as provided in paragraph (a)(2)(ii) of this section, a revocation made during the taxable year and before the 16th day of the third month of the taxable year is effective on the first day of the taxable year and a revocation made after the 15th day of the third month of the taxable year is effective for the following taxable year. If a corporation makes an election to be an S corporation that is to be effective beginning with the next taxable year and revokes its election on or before the first day of the next taxable year, the corporation is deemed to have revoked its election on the first day of the next taxable year.

(ii) *Revocations specifying a prospective revocation date.* If a corporation specifies a date for revocation and the date is expressed in terms of a stated day, month, and year that is on or after the date the revocation is filed, the revocation is effective on and after the date so specified.

(3) *Effect on taxable year of corporation.* In the case of a corporation that revokes its election to be an S corporation effective on the first day of the first taxable year for which its election